



LGT
FINANCIAL FOCUS



Lane Gorman Trubitt, L.L.P.
Accountants & Advisors

Your Accounting for a New Economy

2009 Required Minimum Distribution Waiver

To address some of the questions that have surrounded the 2009 Required Minimum Distribution (RMD) Waiver, the Internal Revenue Service has released Notice 2009-82. The new notice has gone a long way towards clarifying some of the details regarding the waiver.

RMD refers to the smallest annual amount that must be withdrawn by law from an IRA or other employer sponsored retirement plan beginning with the year the account owner reaches 70 and ½ years of age.

As a result of the economic crisis of 2008, the IRS issued the 2009 RMD Waiver as a part of the larger Worker, Retiree, and Employer Act of 2008. Essentially, the waiver suspended all required minimum distributions for any qualified contribution plans including 401(k)'s, tax sheltered annuity plans and Individual Retirement Accounts (IRA's). This gives participants time to counteract some of the devaluation that took place, and saves many retirees from being forced to sell stocks that they own at a fraction of their usual value.

The waiver applies to all distributions that are required from January 1, 2009 to December 31, 2009. It will also apply for any participant who turns 70 and ½ years of age in 2009 and would normally have to take their first distribution by April 1, 2010.

However, this temporary suspension of the RMD does not apply to those who voluntarily take a distribution or participants who elected to delay a 2008 distribution until April 1, 2009.

Other important information contained in the notice includes:

- Transitional relief is provided through November 30, 2009 for plans which were unable to modify procedures relating to the new 2009 RMD rules.

- Plan participants that may have already received distributions in 2009 are granted until November 30, 2009 to roll over such payments provided that certain requirements are met.
- IRA owners that missed the 60-day rollover requirement on distributions are granted an extension until November 30, 2009 to make this rollover election. (It does not change the one-rollover-per-year rule, thus only one distribution from an IRA can be rolled-over.)
- An extension of time is granted for anyone required to make the 5-year or life expectancy election in 2009.
- Distributions that include 2009 RMD's can be rolled over back into the same plan provided that the plan permits such rollovers.

Failure to take required distributions from qualified contribution plans can result in substantial penalties. Be sure to meet with your trusted tax advisors at LGT if you have any questions regarding the 2009 RMD rules. LGT's tax team can be contacted by calling (214) 871-7500 or toll-free (877) 231-7500.